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RESTAURANT BUSINESS

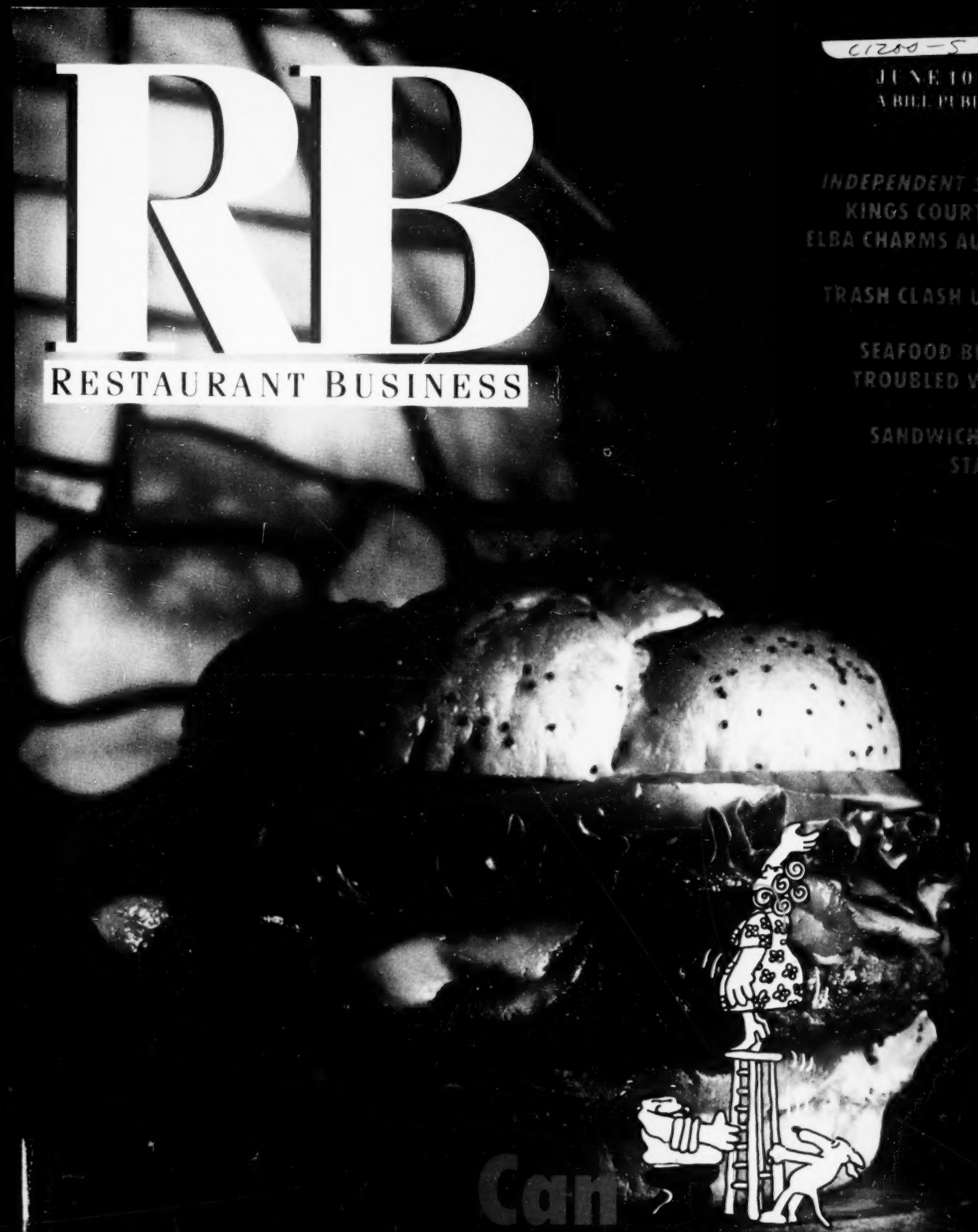
JUNE 10, 1990
A BILL PUBLICATION

INDEPENDENT ST
KINGS COURT L.A.
ELBA CHARMS AUSTIN

TRASH CLASH UPDATE

SEAFOOD BRIDGES
TROUBLED WATERS

SANDWICH IDEAS
STACK UP

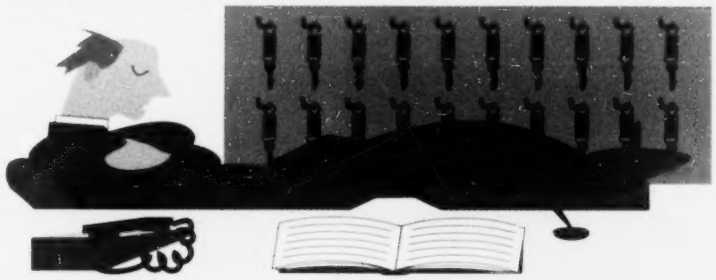


Can Max & Erma's Rebuild?

THE HARD FACTS SHAPING OUR INDUSTRY

BUSINESS BAROMETER

Lodging Faces Continued Oversupply

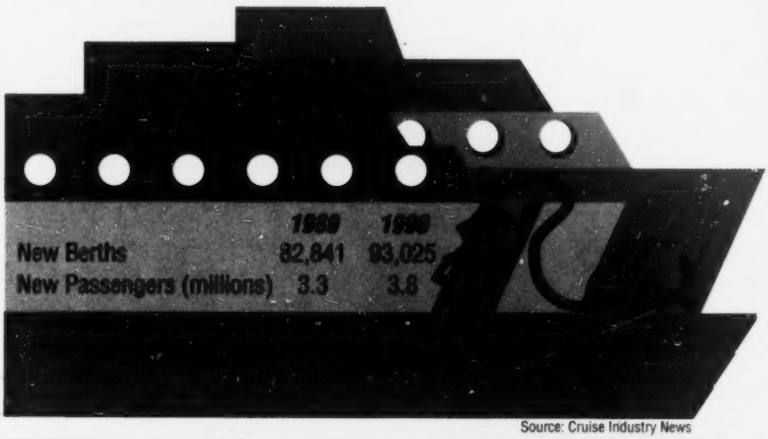


	1990	1991
New Rooms Added	73,000	70,000
New Room Demand	37,799	59,425

Source: Wertheim Schroeder (Estimate)

The oversupply of hotel rooms continues to plague the hotel industry this year as the number of new rooms is expected to exceed demand by nearly 50%. An estimated 73,000 new rooms are projected for 1990, while there will be a demand for only an estimated 37,799 new rooms. The surplus trend is expected to continue in 1991.

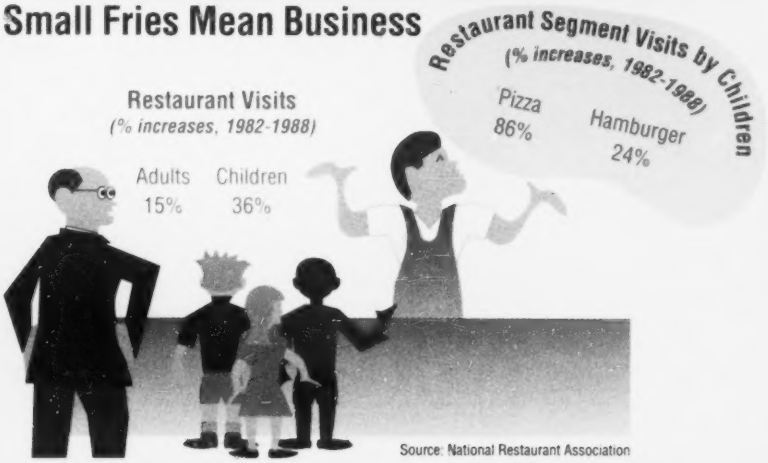
Cruise Business Buoyant



Source: Cruise Industry News

The much less developed cruise industry is experiencing record growth in both supply and demand. In the North American market, the number of available berths is expected to increase this year from 82,841 berths to 93,025, while the number of passengers taking cruises of two days or longer is expected to jump from 3.3 million to 3.8 million.

Small Fries Mean Business



Source: National Restaurant Association

Charts by Peter K. Niceberg

The number of restaurant visits made by kids under age six leaped 36% between 1982 and 1988, in contrast to a more modest 15% increase for adults. Some 83% of the restaurant visits among children occurred at quick-service establishments, with pizza restaurants, in particular, gaining favor with them. Childrens' traffic at pizza units increased 86%.

RESTAURANT BUSINESS

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COVER STORY

TURNAROUND MAX & ERMA'S. Until recently, this Columbus-based company was in a chronic state of disorganization, opening units with no particular long-term goal in mind, adding new menu items without regard to operational necessities, grabbing onto every trend that passed by, and not once turning a profit in its first 15 years of existence. Four years ago, however, all that started to change. The company's new management set to work instilling some order to the small, casual-restaurant chain, upgrading site selection and unit design, and standardizing menus. **127**

Cover photograph by Paul Poplis; Illustration by Mike Senett.

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Reprints of the **1989 RESTAURANT GROWTH INDEX** and the **1990 MAJOR FORCES IN FRANCHISING** are available for $5 per copy. Direct inquiries to Editor Peter Berlinski, *Restaurant Business*, 633 Third Ave., New York, NY 10017.

IN THE NEXT ISSUE

COVER STORY DESIGN DIRECTIONS.
Savvy operators have discovered that a unique restaurant design can be used not only to create atmosphere, but also to achieve marketing goals and to create a niche. In addition, cutting-edge restaurant designers are meeting restaurateurs' evolving functional and aesthetic needs.

MARKET REPORT DRIVE-THRU/DELIVERY.
With the growth of off-premise foodservice still rising, this segment offers great opportunity for operators who choose to cater to the convenience-hungry consumer. Tasty, fresh, and healthful foods are especially big sellers.

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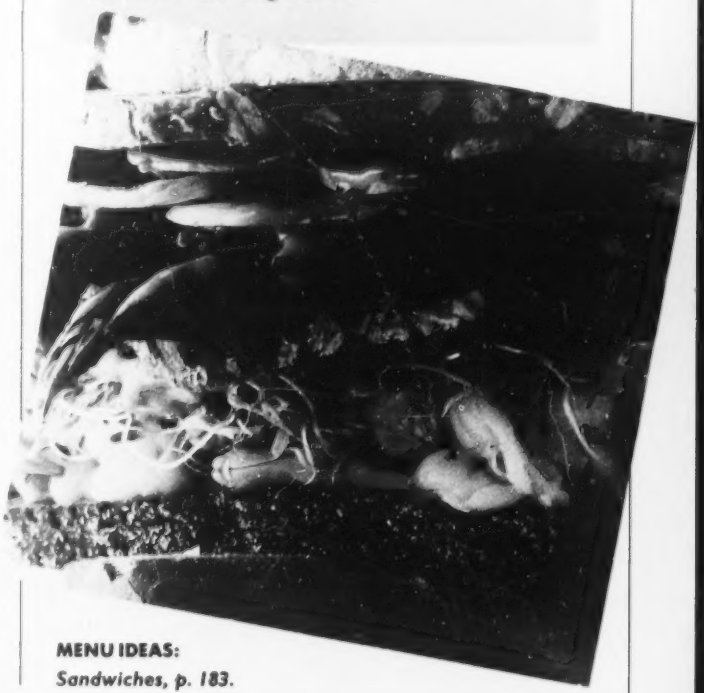
DRAFTS LOW/NO ALCOHOL DRINKS.
Restaurant operators can profit from the moderate tendencies of their customers by developing appealing nonalcoholic cocktails and promoting low-alcohol beverages as well.



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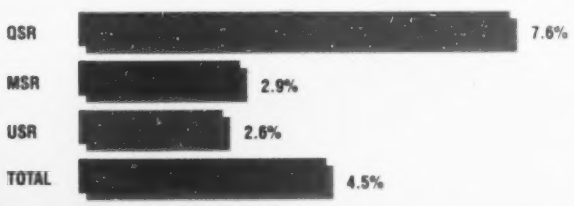
FAST FOOD OUTPACES INDUSTRY GROWTH



Nominal Growth in Retail Sales 1989 vs. 1988

1989 was a slow year, with relatively weak nominal growth in all segments but fast food. Restaurants posted 2.9% nominal sales growth (a decrease of 1.6% in real terms, factoring out inflation of 4.6%). Fast food was the winning growth segment, with a nominal sales increase of 7.6% and real growth of 2.9%. This helped steady eating and drinking place sales to 4.5% nominal growth (0.0% real). The forecast calls for some improvement in 1990: Restaurants' predicted 1.0% real growth, combined with a healthy 3.0% jump for fast food, which should drive the industry into modest 2.0% real growth.

SOURCE: U.S. Department of Commerce, Bureau of the Census

STEVE HULL

Chefs Cook Up Praise For CIA's Amendola

Ten of the country's most renowned chefs, all CIA alumni, paid culinary tribute to a beloved mentor, Joseph Amendola, who is celebrating his 40th anniversary with the Culinary Institute of America (CIA). The chefs prepared a menu of regional American dishes for some 700 alumni and Institute friends who gathered on May 18 at Chicago's Palmer House to honor Amendola. The CIA also instituted a scholarship in his name.

The menu represented an amalgam of several regional American cuisines—California Spa, Northwestern, Southwestern, South Chicago, and New York City. Featured dishes included appetizers such as radicchio tacos with smoked chicken, prepared for the Southwestern menu by Barry Coleman and David Johnson, of Los Angeles' More Than A Mouthful Catering; and polenta rounds with sundried tomatoes and romano cheese, by Glenn Wieloski of Chicago's Levy Restaurants.

Other dishes included grilled lamb and brie in puff pastry, prepared by Diana Dillard, of New York City's Rain City Grill; artichoke parfait served with baby greens, vegetables, and cheese from David Burke of New York's River Cafe.

Amendola, who began his CIA career as a bake shop instructor in 1949, eventually moved on to become head of the baking department, assistant dean, dean of students, acting president, and now senior vice president and ambassador, devoting most of his time to cultivating industry contacts for the Institute.

The proceeds from the $100- to $200-a-plate dinner went toward establishing the Institute's Joseph Amendola Scholarship. Another benefit will be held at New York's Waldorf Astoria in September. For information, contact the CIA alumni office, 914-452-9600, ext. 1401.**—Diane Kochilas**

Fuddruckers Brings Burgers To the Dardanelles

Fuddruckers Inc., the 116-unit, Wakefield, MA-based upscale hamburger chain, has opened its first franchised store in Turkey. The four-level, 200-seat operation opened on the busiest shopping street in Istanbul, Turkey's largest city.

"Istanbul has a population of 8 million," says Fuddruckers' chairman Terry Vince, "and we see a marketable customer base of two million people." The unit is owned by Yeda Ylyecek Isletmeleri Ye Ticaret A.S. Is., a Turkish company, which also plans to open Fuddruckers in Ankara and Istanbul.

The Turkish menu is the same as Fuddruckers' U.S. offerings—hamburgers, fries, and chicken sandwiches—with the exception of alcohol. Check averages, at $6 to $8, will be comparable to the U.S.

Revenues, says Vince, are expected to hover around $2 million for the Istanbul outlet's first year of operation, slightly higher than the $1.6 million average among U.S. units. Fuddruckers is owned by daka International Inc.**—D.K.**

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Keep on Dietin'

Truckers can lighten their load—on themselves, that is—thanks to the "Power Food" menu now found at Unocal 76 Auto/Truckstops. The menu, featured as an alternative in 60 of the chain's 145 truckstops, meets health standards set by the American Heart Association with its low-calorie healthy cuisine, countering the high-cholesterol, high-fat fare found in truckstops.

The Power Food program was created in part because many truck drivers are overweight, according to Tom Guiney, Unocal's manager of restaurant and food programs. They also are increasingly becoming concerned about their diets.

"Truck drivers are interested in their health. In a recent survey, 58% of them said they wanted to see healthier items on our menu," explains Guiney.

Items include whole wheat french toast, tuna salad platter, halibut steak, and sliced chicken breast salad. A registered dietitian consults with Unocal on the menu. **—Lori Barker**

TRASH CLASH

UPDATE

By James Scarpa

Twenty years after Americans first celebrated Earth Day, public concern for the environment is pressuring lawmakers to finally do something to remedy the solid waste problem. Foodservice interests are spreading the recycling gospel in an effort to head off further packaging bans.

To date, 24 states and the District of Columbia have passed recycling laws involving 10 million households. Forward-thinking operators around the country are beginning to recycle glass, paper, metal cans, and plastics. Polystyrene foam is being recycled in McDonald's restaurants in New England.

Several recent governmental decisions offer hope that lawmakers are realizing that the problem demands far more than the legislative "quick fix." However, ban proposals continue popping up in communities around the nation.

On the plus side, a New York State appeals court recently overturned the Suffolk County ban on polystyrene foam packaging because the county failed to do its homework—an environmental impact statement considering all the effects. The Minneapolis and St. Paul, MN, bans on plastic food packaging have been postponed from July 1, 1990 to January 1, 1991, acknowledging the practical difficulties food sellers will face in switching from polystyrene to paper. The city council of Austin, TX, tabled a polystyrene foam ban proposal after studying the packaging and deeming it environmentally sound.

SOLID WASTE DISPOSAL

Approximately 8,000 municipalities and private trash haulers pick up our country's garbage. At present, private companies serve around 60% of all households and remove more than 90% of the nation's commercial refuse. Most of this waste is deposited in landfills.

	1960	1970	1986	1988	1992
Landfills					
Volume*	81.7	112.1	131.2	124.6	119.6
%**	93	93	83	76	69
Recycling					
Volume	5.8	8.0	16.9	17.7	19.5
%	7	7	11	11	11
Waste to Energy					
Volume	--	2.4	9.6	20.3	33.6
%	--	1	6	13	19
Totals					
Volume	87.5	120.5	157.7	162.5	172.8
%	100	100	100	100	100

* in millions of tons per year
**data has been rounded; figures may not add up to 100
SOURCE: National Solid Wastes Management Association (NSWMA)

Operators have started recycling to head off further packaging bans.

In Portland, OR, the polystyrene ban has raised the operators' packaging costs as much as 50%, reports Mike McCallum, director of government relations for the Oregon Restaurant Association (ORA). Ironically, the ban has had the opposite effect than intended. "We had set up a recycling program, and operators collected bags of foam regularly," reports Ted Hughes, counsel for McDonald's in Oregon. "Now they've switched to paper, but it all goes into the landfill."

NEW INITIATIVES. Environmental groups in Oregon, Massachusetts, and California are petitioning for ballot initiatives on recycling this fall.

Among the stipulations of the Oregon initiative are that foodservice packages be recyclable at least five times and contain a specified amount of recycled materials. It is "essentially a ban on most packaging products," claims ORA's McCallum. He forecasts less convenience, higher costs, and unavailability of certain food products to consumers. Yet initial polling by the proponents indicates that 87% of Oregonians would favor a recycling bill, he says.

In Berkeley, Santa Cruz, and Carmel, CA, where polystyrene bans have been enacted, operators "are generally frustrated, because they have demonstrated steps to manage their packaging waste," says Michele Egan, government affairs assistant of the California Restaurant Association. "But the people in those places are only interested in bans."

EXCAVATION STUDIES. Whether the public and lawmakers accept it, the industry now has more scientific basis to dispel misconceptions. For instance, excavations of landfills indicate that fast-food packaging accounts for only one-quarter of 1% of landfill solid waste, according to studies by University of Arizona professor William L. Rathje. And, according to data from the EPA and the National Solid Waste Management Association, all plastics

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CHARTS BY STEVE HULL

At Plastics Again, Leominster, MA, Tom Tomascek holds recycled polystyrene pellets.

Landfill excavations show that fast-food packaging is less than 1% of volume.

account for 7.3% by weight after recyclable materials are removed. The major culprit is paper, accounting for 35.6% by weight of solid waste after recycling.

Research by the University of Wisconsin-Stout in Menomonie, WI, and the TFC Corp. shed additional light on the solid waste stream and the problem of rising waste control and disposal costs. The university studied the solid waste produced by eight Wisconsin foodservice operations representing the fast-food, full-service, and institutional segments. The study revealed a consistent 30% to 35% proportion of recyclable materials (cans, bottles, and plastics) in the solid waste of these operations. However, fast-food restaurants had by far the largest proportion of paper waste, with 65%, compared to 44% for full-service and 40% for institutional. Food waste, such as leftovers and trimmings, amounted to only 5% of fast-food waste, but accounted for 21% in full service, and 23% in institutional.

The study also showed that the monthly labor cost of waste control amounted to $300 for fast-food, $400 for institutional, and $600 for full service units studied. The monthly hauling cost amounted to $260 for institutional, $75 to $350 for full-service, and $250 to $300 for fast food.

McRECYCLE. Oak Brook, IL-based McDonald's Corp. is launching an aggressive recycling campaign to help alleviate the country's solid waste problems. The recently announced McRecycle USA program intends to make McDonald's the nation's largest market for recycled materials.

The program earmarks $100 million to purchase recycled materials for use in the 375 new and 1,000 remodeled restaurants that McDonald's adds each year, toward a goal of at least 25% of annual expenditures on materials. In addition, it is setting up a national information center to register suppliers of recycled goods and disseminate information.

McRecycle is likely to motivate new uses for recycled materials, and also spur on municipalities to include plastic in their curbside recycling plans. Already, new and renovated McDonald's Playlands are being resurfaced with flooring made from old automobile tires. In time, some 400 stores annually will have it installed.

The foam recycling test that McDonald's launched in New England is the largest ever in the industry. Plastics Again, a 21,000-sq.-ft. facility in Leominster, MA, with an annual recycling capacity of 6 million lb. of polystyrene, is recycling the foam waste of more

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PLASTIC WASTE

Types of plastic in municipal solid waste, by weight

Polyethylene 47% Includes milk jugs, garbage bags, and most liquid soap and detergent bottles.

Polypropylene 16% Includes some electric appliances, videocassette cases, drinking straws, and screw-on tops.

Polystyrene 16% Includes foam cups, plates and hamburger containers, plastic utensils, and radio and TV cabinets.

Polyvinyl chloride 8.5% Includes plastic wrap and clear containers such as some peanut butter jars and dishwashing liquid bottles.

Polyethylene terephthalate 5% Includes soda bottles and other clear bottles such as some cooking oil containers.

Polyurethane 5% Includes foam for insulation and furniture.

Other plastics 4.5%

SOURCE: Franklin Associates

SOLID WASTE AFTER RECYCLING

SInce 1970, the nation's waste stream has changed considerably. Even after recyclable materials are removed, such changes are likely to continue until the end of the century.

	Paper and paperboard	Glass	Metals	Plastics	Rubber and leather	Textiles	Wood	Food waste	Yard waste	Other	Total
1970											
Amount*	36.5	12.5	13.5	3.0	3.0	2.0	4.0	12.8	32.2	1.9	112.5
%	32.4	11.1	12.0	2.7	2.7	1.8	3.6	11.4	20.6	1.6	100.0
1986											
Amount	50.1	11.8	12.6	10.3	3.9	2.8	5.8	12.5	28.3	2.7	140.8
%	35.6	8.4	8.9	7.3	2.8	2.0	4.1	8.9	20.1	1.8	100.0
2000											
Amount	66.0	12.0	14.4	15.6	3.8	3.3	6.1	12.3	32.0	3.3	168.8
%	39.1	7.1	8.5	9.2	2.3	2.0	3.6	7.3	19.0	1.9	100.0

SOURCE: NSWMA

* in millions of tons per year

than 250 McDonald's, as well as schools and institutions. Approximately 25 McDonald's units are joining the program each week. In time, the facility will handle 450 units. When additional plastic recycling plants open around the country, McDonald's will expand the program. By early 1991, a projected 2,000 units will be involved; by the end of 1992, all of McDonald's U.S. units will participate.

"Recycling in 450 restaurants means that 10 million customers each month will be exposed to the message," says Shelby Yastrow, McDonald's senior vice president, general counsel, and director of environmental affairs. "Even if only 1% take it to heart, that's a large gain."

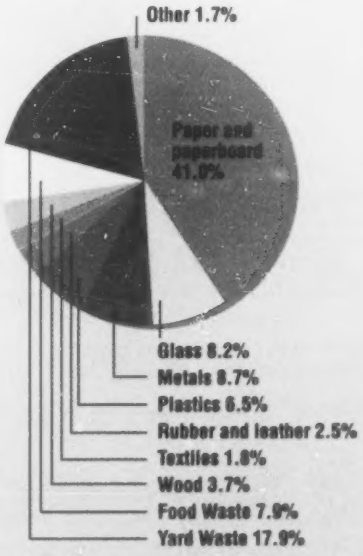
VOLUNTARY COMPLIANCE. Customers are asked to voluntarily put their polystyrene foam sandwich boxes, utensils, salad containers, and hot drink and sundae cups in special trash bins marked "for recyclable plastic only."

Compliance is about 75% of customers, says Yastrow. "People don't always do as good a job as we'd like, but they're trying, and they're not resentful about it," he adds.

McDonald's is involved in other recycling activities as well. In Brooklyn, NY, 25 McDonald's stores are sending foam disposables to Polystyrene Recycling Inc. Elsewhere, 1,000 McDonald's stores are recycling corrugated cardboard shipping cartons, says Yastrow. Moreover, already the largest user of recycled paper in the restaurant industry, McDonald's is now using corrugated cardboard cartons that have a 50% content of recycled newsprint.

WHAT'S IN OUR GARBAGE?

According to the EPA, our waste stream includes several major components. The total amount is 157.7 million tons.



SOURCE: NSWMA Data were calculated for 1986.

McDonald's is making aggressive attempts to solve waste problems.

COMPOSTING. Kentucky Fried Chicken has joined with a recycling company to test recycling and composting as a means of reducing the solid waste of two Leominster, MA, stores. The test will separate and recycle polystyrene and other materials. The remaining nonrecyclable paper waste and food waste are to be composted into soil. The paper materials include buckets, plates, cartons, tray liners, napkins, and "essentially all papers that are not polymer-coated," says Glen White, senior research and development engineer. By fall, KFC hopes to decide on the feasibility of expanding the trial.

Other forward-thinking operators are beginning to recycle. The 2,033-room Chicago Hyatt Regency hotel has cut its average $200,000 disposal cost roughly in half by means of a comprehensive recycling program that it set up last summer with a local recycling company, which maintains offices and staff on the property. Dumpster "pulls" are down from an average of 36 per month prior to about 20 visits per month this year. If good results continue, Hyatt may expand recycling to all its hotels before long, according to general manager Rick Adie.

TRASH STREAM. The Chicago Hyatt's recycling program separates aluminum, glass, cardboard, plastics, computer paper, and office paper in all hotel

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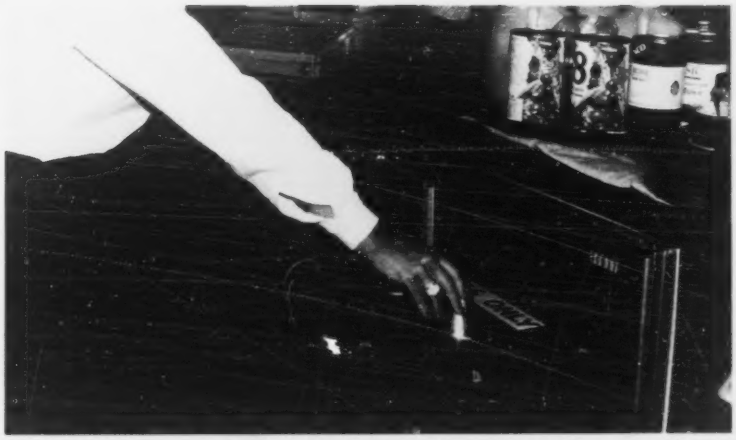
DECLINING LANDFILL CAPACITY

The "capacity crisis" has become a significant concern around the country, particularly in the Northeast. According to the EPA, for example, more than half of our existing landfills will reach their capacity within eight years. The total number of landfills is 6,034.

Full Capacity (in years)	No. of Landfills	Percent
0	535	9
1-5	2167	36
6-10	612	10
11-15	1126	19
20+	1235	20
Total	6034	100

Data were calculated as of 1986.

SOURCE: NSWMA



A bartender separates glass bottles for recycling at Hyatt Regency, Chicago. The property has cut its disposal costs in half from its recycling program.

Remedies for solid waste management have come into focus in 1990.

departments from its 7.2 million lb. annual trash stream. The first three materials are the principal components of the trash stream from the hotel's five restaurants and three bars.

In the hotel's lobby restaurant-bar, Scampi, servers separate glass bottles by color and save aluminum cans in marked bins, which are later transferred to large wheeled containers and brought to the hotel's recycling center. There, glass is crushed and aluminum is compacted into cubes and cardboard is baled. Next they are loaded into semitrailers for distribution to glass and aluminum mills.

Since no feasible market exists for the 100 to 200 lb. of plastics that the hotel generates each day, it is stockpiling plastic in semitrailers, in anticipation of the opening later this year of a local plastics processor.

INDEPENDENT STRATEGY. Recycling paper, glass, tin, and aluminum saves independent operator Bernard Schreiner of Schreiner's Restaurant, Fond du Lac, WI, $50 to $100 per month in disposal costs. It also saves the landfill 60% of the 28,000 lb. per month he formerly deposited. Last year, he became the first operator in his area to extensively recycle. He spent about $4,500 to set up his program, including constructing a weather-proof recycling area in back of the restaurant. "It's a small price to pay in comparison to having your landfill close down," he says.

"It's very gratifying to do something about the problem, and to see how well our employees and customers are responding," says Schreiner. He reports that no additional help was required. He trained his 150 employees in separating and recycling procedures.

In comparison to a year ago, practical remedies for the solid waste management problem seem to have come into better focus. However, the political challenges still seem daunting. The problem will be solved only with carefully thought out plans made with the cooperation of the restaurant industry, and by fostering more viable markets for recycled materials. **RB**

TYPES AND PERCENTAGES OF WASTE GENERATED

Kitchen Wastes (by volume): Paper and Cardboard Cartons; Food Cans; Bottles; Leftover Food; Food Trimmings.* **Dining Room Wastes** (by volume): Plastic Foodservice Items; Paper Cups and Napkins; Plastic Juice Containers; Newspapers; Food Left on Plates*; Bottles.

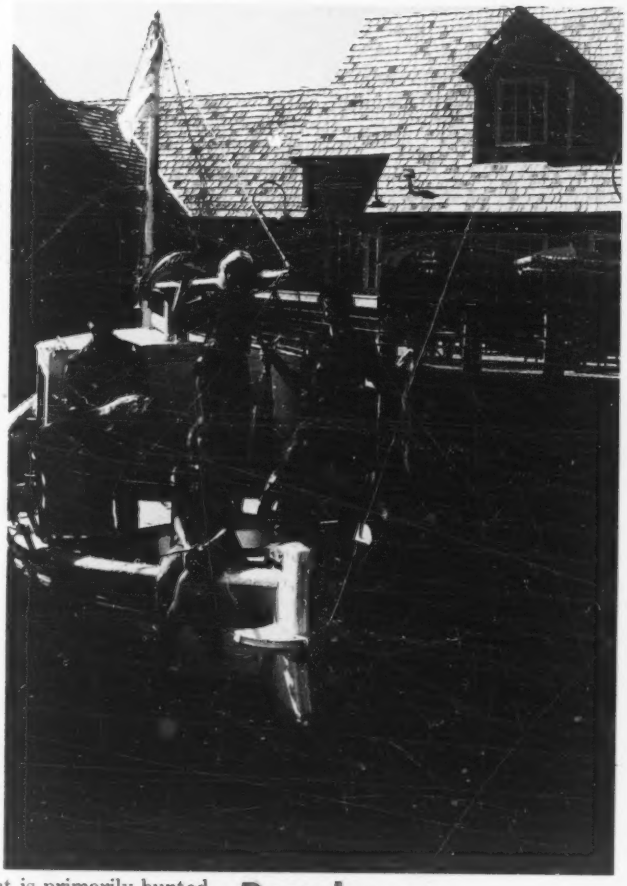
	Food	Paper	Glass	Aluminum	Plastic	Polystyrene Foam	Tin	Recyclable
Institutional	23%	40%	5%	1%	13%	10%	8%	35%
Full Service	21%	44%	12%	4%	14%	2%	3%	33%

*50% of all food wastes were disposed of by kitchen grinder at all operations.
SOURCE: U. of Wisconsin – Stout, TFC Corp.

MARKET SEGMENT REPORT

SEAFOOD

by Carol Casper



Seagull Street Fish Market was landlocked Albuquerque's first independent fish place.

Seafood restaurants today face anything but smooth sailing. In addition to the problems confronting all restaurateurs—rising labor costs, higher overhead, stiffer competition for a shrinking slice of the customer pie—seafood operations have another set all their own, due to the complexities of the product in which they trade. Worldwide supply and demand pressures, volatile pricing, higher food-cost percentages than other entrees, handling difficulties, and stepped up safety concerns all contribute to making seafood operations perhaps the hardest kind of restaurant to run.

"It's a difficult product to work with," points out Steve LaHaie, vice president of Lettuce Entertain You Enterprises (LEYE) and general manager of Shaw's Crab House and Shaw's Blue Crab in Chicago and Deerfield, IL, respectively. "It takes years to accumulate all the knowledge you need. And the business is constantly changing. You have to keep finding new sources of supply."

Procurement is probably the biggest challenge. Seafood is the last major food category that is primarily hunted rather than raised. Also, more than any other food staple, seafood supply depends on a global market.

Growing concerns over seafood safety have further complicated the picture. While media coverage formerly focused on positive health aspects, many recent reports have highlighted dangers like polluted waters and risks associated with raw shellfish.

Although there was a slight decrease in U.S. average per capita consumption of fish and seafood in 1988, from 15.4 lb. to 15 lb., this dip followed a period of five years in which per capita consumption grew an aggregate 25%, points out Clare Vanderbeek of the National Fisheries Institute, Washington, DC. Moreover, much of 1988's decrease was precipitated by the lower value of the dollar that year, resulting in diminished supply and higher prices rather than by a loss of American interest in eating seafood. Also boding well for the seafood segment is the fact that over 65% of seafood is consumed outside the home, according to Vanderbeek.

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Rough seas are on the horizon for this stormy segment.

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According to RE-COUNT data supplied by the Restaurant Consulting Group Inc., Evanston, IL, the number of fish and seafood restaurants in the U.S. increased 6.2% from mid-1988 to mid-1989. The new openings helped seafood's share of the market inch up slightly to a little over 2.9% of total U.S. restaurants.

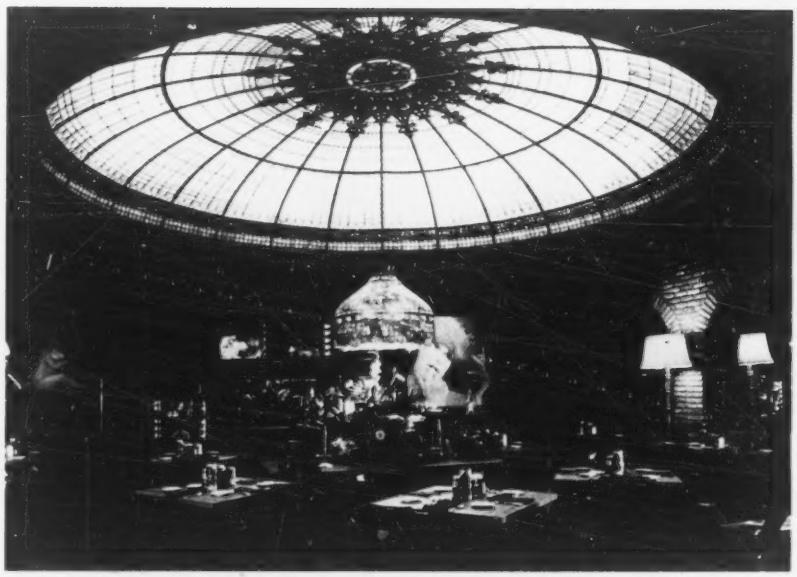
INSPECTION. Many restaurants, from giants like Red Lobster and Long John Silver's to independents like Albuquerque, NM-based Seagull Street, buy primarily from processors under voluntary inspection. Also, the use of laboratories to test for disease-causing agents is growing beyond large chains. Shaw's, for example, along with the rest of LEYE's operations, contracts with a local lab to perform monthly inspections of its kitchens and has all shellfish as well as any new fresh product tested. Another company with an active safety program is Legal Sea Foods, Allston, MA, which has had its own microbiology lab for five years.

Another trend in many operations is a shift toward healthier preparations—more broiled, fewer fried items, and lighter sauces.

WHALE. "More people are ordering fish broiled or steamed," says Dick Monroe, vice president of public relations for Orlando, FL-based Red Lobster, a division of General Mills Restaurants Inc. The chain offers its units a choice of 50 fresh items each day through its computerized Fresh Fish Hotline. Each manager selects eight to 12 species to feature based on local preferences. The computer then automatically sends his orders to pre-approved suppliers.

Red Lobster offers customers choices through its "create-your-own-platter" options. They allow guests to invent two- or three-item combination plates by selecting from a list of 10 choices such as shrimp scampi, popcorn shrimp, sea scallops, broiled halibut, and langostinos.

Through these programs, plus the printed menu, Red Lobster offers guests well over 100 entree choices.



Gilbert/Robinson's seafood houses try to avoid a "chain" look.

Challenges include volatile supply and pricing, and safety.

The chain also offers about 25 low-cost luncheon items, priced from $4 to $6, including sandwiches and salads.

Red Lobster's sales increased 25% from 1987 to 1989 while the chain opened 49 new stores. With 450 units in 38 states doing well over $1.2 billion in annual sales, the chain reports that average per-store guest counts increased for the fourth straight year. Checks run $7 at lunch and $12 for dinner systemwide, and annual unit sales average about $2.7 million.

The company plans to continue adding 20 to 25 units per year, targeting California, the Pacific Northwest, the Northeast, and filling in spots in Florida and other major markets.

YO HO HO. Like Red Lobster, developments at Long John Silver's, the second largest seafood chain in annual sales, underscore the still-growing health trend. Although fried foods still make up the bulk of the quick-service restaurants' volume, the company has been testing baked items in the Northeast and plans to roll them out nationally by early 1991.

Last year it experimented with broiled fish in some stores, notes Bruce Cotton, senior vice president, public affairs. "But it was a little too expensive and didn't account for much market share. Our baked items, primarily cod, some halibut and salmon, which are microwaved, are priced more comparably to our fried menu," he notes. Baked items account for 7% to 10% of sales in units where they are being tested.

The chain has switched from Crispy Breaded Fish to a new Homestyle Breaded Fish. In addition to its staple battered cod, other items on Long John

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Silver's menu include fried shrimp, clams, seafood salads, gumbos and chowders, and fr[illegible] chicken.

HIGHER CHECKS. Checks average $4 higher than other fast foods. Long John Silver's currently operates 1,491 units, including 470 franchised shops. Sales for fiscal 1989 totaled $779 million.

The chain's parent, Jerrico Inc., went through a leveraged buyout last August, and terms of the agreement call for a halt in new company-owned units until its capital indebtedness is repaid. So expansion plans for the next few years will concentrate on franchised units, with 25 expected to come on-line in 1990, followed by 50 more in 1991.

Take-out accounts for 38% of sales, a figure the chain hopes to increase by adding several new finger foods now in test. They include smaller pieces of fried fish, Searitos—an egg roll-type item served with dipping sauce—and a smaller fish sandwich.

FAST TAKE-OUT. Another seafood chain eyeing take-out opportunities is Arthur Treacher's Inc., Youngstown, OH. This spring the company announced an agreement in principle with AutoCafe Systems Inc., a Dublin, OH-based franchisor of automated hot-food cooking systems, to develop and license a proprietary double-drive-thru concept using Arthur Treacher's name and products. Arthur Treacher's president James Cataland says the first drive-thru should open in six months.

Arthur Treacher's Fish & Chips currently comprises 99 units, including 75 franchised shops, primarily in the Midwest. A little over half the stores are freestanding, while most newer units

Some popular species are overfished.

are in shopping malls or office food courts. The company plans to continue this direction, with 25 new mall units planned for this year and a target of 50 per year thereafter, says Cataland.

Like Long John Silver's, Arthur Treacher's is trying alternatives to its traditional fried menu. It introduced a broiled cod loin platter this spring with baked potato, mixed vegetables, and a roll priced at $4.29.

BROADER MENU. Captain D's Seafood, a 607-unit chain, is also looking for new menu items to broaden its appeal. It added shrimp scampi this year. Other selections include fried and baked fish, clams, shrimp, chicken fillets, stuffed crab in natural shell, seafood salad, hush puppies, green beans, and fried okra.

This subsidiary of Shoney's Inc. opened five company-owned and 14 franchised units in 1989, for totals of 348 and 259, respectively. Average annual sales for company-owned units grew to $660,000, said by officials to be the highest of any major fast seafood chain. Captain D's reported record sales in 1989 and an increase in pretax earnings of 38% over 1988.

In the Northwest, another fairly large fast-seafood chain is poised to make a move. Skipper's Inc., based in Bellevue, WA, was acquired in November by National Pizza, the Pittsburg, KS-based largest franchisee of Pizza Hut restaurants. Given the new ownership's resources and experience, vice president of marketing Larry Uhl says the chain will soon be aggressively adding company-owned units.

AYE AYE. Skipper's currently operates 202 locations, including 30 franchised units, with systemwide sales of almost

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Weathervane Seafood Restaurants & Markets offer no frills but are full service.

$95 million. Average annual unit sales are up nearly 7%, to $465,000.

The menu, primarily fried, includes several kinds and sizes of fish fillets, shrimp, oysters, clams, chicken strips, and sandwiches. Meal tickets average $4.50.

Weathervane Seafood Restaurants & Markets is a regional chain based in Kittery, ME. Born of a take-out stand that began operating in 1969, the company opened its 15th sit-down site in Worcester, MA, in January and plans to launch two annually over the next few years.

Located in Maine, New Hampshire, Massachusetts, and eastern upstate New York, units range in annual volume from under $1 million to $4.8 million and totaled $27 million in sales in 1989. About 6% of that is from adjoining retail seafood markets.

UPGRADING. Although the chain will retain its low-cost approach, it is now upgrading some features to provide patrons with "a nicer dining experience," notes director of marketing Susan Paquette. This includes a switch from plastic bar glasses, plastic utensils, and disposable coffee mugs to "partial dish and glass" in its 12 units. The company wants to keep check averages at their present level, however—$4.75 for lunch and $8.40 at dinner.

Weathervane's menu features about 50 entrees with complete dinners ranging from under $3 to $12.95. Trading on its Maine identity, selections lean to New England favorites such as haddock and lobster.

GRILLS. Moving a little further up the price scale are chains like L&N Seafood Grills, part of the specialty restaurant division of Morrison's Inc., Mobile, AL, and Rusty Scupper and Parker's Lighthouse, owned by Stouffer Restaurant Co., Cleveland.

Morrison's opened five new L&Ns in the past year for a total of 26 and plans to launch another nine in its next fiscal year, notes senior vice president Richard McGeoch. Sales for fiscal '90, ended in May, topped $50 million.

L&N's menu features 10 kinds of fresh fish daily, plus seafood and pasta combinations and gourmet salads. Specialties include Maryland crab cakes and scallops, as well as mesquite-grilled swordfish, tuna, and salmon. Checks average $7.50 at lunch and $14.50 for dinner.

Stouffer's 18 Rusty Scuppers, concentrated in the Northeast and Midwest, garner a little higher check average than L&Ns, and sell a higher percentage of nonseafood items, with sales almost evenly divided between seafood and Certified Angus beef. The menu includes about 20 items, including daily fresh fish selections and other seafood. Entrees run $8.95 to $14.95 for dinner and $4.95 to $9.95 for lunch.

TO THE LIGHTHOUSE. The five Parker's Lighthouses are a bit more casual and put more emphasis on fresh seafood, notes Peggy Anderson, marketing manager. All located on waterfronts, in California, Florida, and Brooklyn, NY, they sell about 75% sea-

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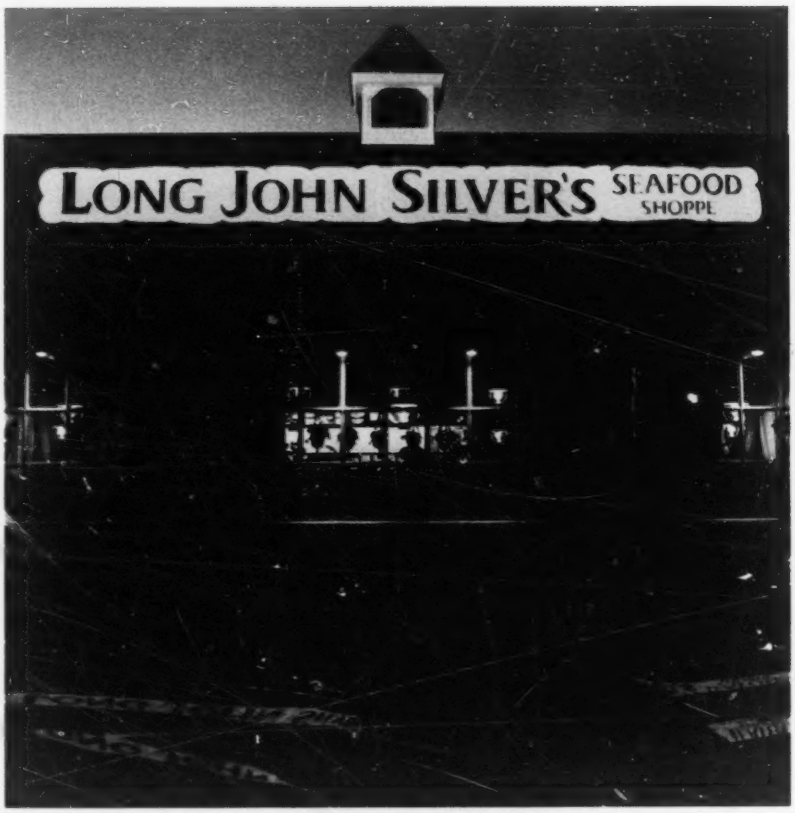

Long John Silver's is the second largest seafood chain in annual sales.

Seafood is the last major food category that is caught, not raised.

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food, including fresh swordfish, fresh and smoked marlin, wahoo, and several varieties of tuna. Grilling, especially over mesquite, is the most popular preparation, followed by sautéing, Anderson reports.

SEPARATE IDENTITY. A number of seafood chains at the mid- to upscale level actively seek to avoid a chain image. This was the case with Gilbert/Robinson Inc. when it first entered the seafood market in 1980.

"We felt with the check average and emphasis on fresh fish, we didn't want to be perceived as a 'stamped-out chain,' " explains John Bettin, vice president of operations for the seafood division. "We've since decided people don't have that negative connotation," but between then and 1986, the Kansas City, MO-based operator of Houlihan's and Darryl's opened eight seafood houses under four different names.

The first was the Bristol Bar & Grill in Kansas City, followed by another Bristol in St. Louis in 1982. Others include Chequers in Atlanta, Braxton in Chicago, Minneapolis and Secaucus, NJ, and Devon in Washington, DC, and Tyson's Corner, VA.

Expansion plans are currently on hold while the company focuses on building Houlihan's and Darryl's, but that reflects no disappointment in the units' performance. Annual sales average $3.4 million based on check averages of $9 at lunch and $20 at dinner for each location.

NEW PHILOSOPHY. Another upscale chain that originally went with separate identities but has since changed its philosophy is Rusty Pelican Inc. (RPI), San Juan Capistrano, CA. RPI operates a total of 33 restaurants including 21 Rusty Pelicans in California, Oregon, Texas, Arizona, Illinois, Ohio, and Iowa, plus 12 other seafood restaurants under a variety of names. Some of these were added when the company was acquired by Paragon Restaurant Group in 1987 and merged the two firms' seafood restaurants into one operating company. However, several Rusty Pelicans originally opened with other names but were recently converted to fit the company's new approach. Future openings will be mostly, if not all, under the Rusty Pelican name.

RPI plans to expand primarily in the greater Los Angeles area, but is also eyeing San Diego, San Francisco, Phoenix, and Chicago, notes Mike Morehead, vice president, marketing.

Checks average $10 to $12 at lunch and $20 to $23 for dinner, but a new menu is in the works which will "provide lower price points for the upscale seafood market," notes Morehead.

Crab Houses, Miami, is proving that take-out, too, can go upscale. This small chain operates two kinds of units, six full-service Crab Houses and five Captain Crab's Take-Aways in Florida and Atlanta. The latter feature an extensive menu for a take-out operation, and all products are prepared in the stores, notes Gary Scharps, executive vice president.

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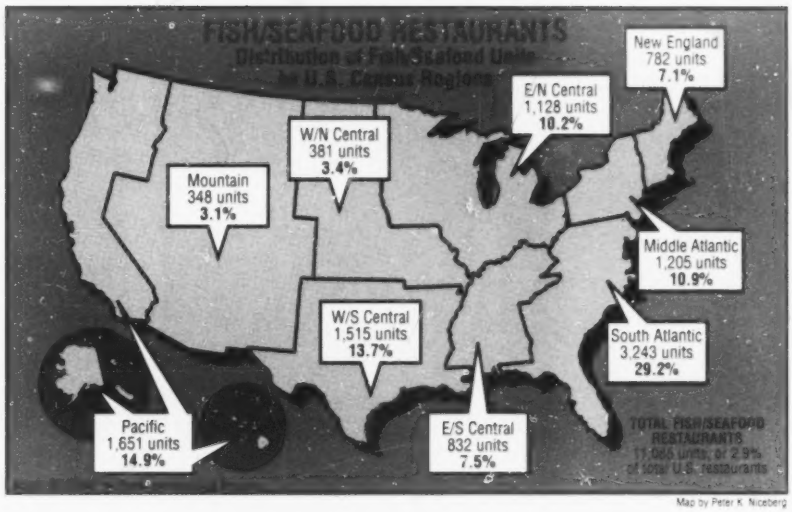


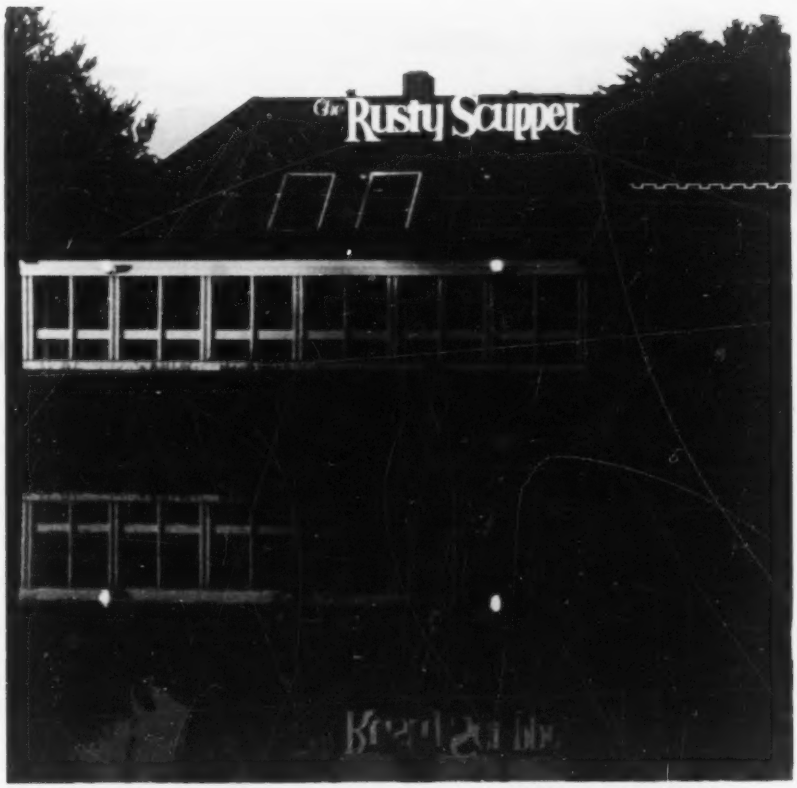
Map by Peter K. Nicoberg

The number of U.S. seafood units increased 6.2 % in 1988-89.

THE TOP SEAFOOD CHAINS

Company	Units	1989 Sales
Red Lobster	480	$1.2 billion
Long John Silver's	1,491	$779 million
Captain D's Seafood	607	$400 million*

* RB estimate



Stouffer's 18 Rusty Scuppers are concentrated in the Northeast and Midwest.

A specialty is garlic crab in buckets selling for $5.50 to $22, which account for 50% of sales at the take-aways.

The full-service restaurants' menu is about twice as large as the take-aways, and includes an all-you-can-eat seafood salad bar with oysters and clams on the half shell, mussels, crab, broiled peel-and-eat shrimp, plus about 25 other salad items at a cost of $5.95 with dinner or $13.95 as a main course. The company plans to open two to four new units a year, working its way up the East Coast to New England.

EXPANSION MODE. Another upscale group in an expansion mode is Legal Sea Foods. Legal opened two more Boston-area restaurants in the last seven months for a total of seven locations, and is looking at its first sites outside Massachusetts, in Maine, Rhode Island, Connecticut, and New York.

"We should be able to open one more in 1990 and hope to do a couple each year, all in the Northeast," says George Berkowitz, president of the family-owned company.

Subscribing to the motto, "If it isn't fresh, it isn't Legal," the restaurants emphasize traditional New England favorites from the North Atlantic, but also offer fresh varieties flown in from other markets.

About 80% of Legal's purchases come from five 100-ft. trawlers that fish for the chain exclusively. "We have first choice and buy the top of the catch," notes Berkowitz.

Checks average $25 at dinner and $14 for lunch. Legal's largest restaurants, seating 300 to 360, serve up to 2,000 meals a day.

More than 65% of all seafood is eaten out.

In addition to the restaurants, Legal operates four fish markets and a mail-order business featuring live lobsters, other fresh seafood, and dry goods including T-shirts. Total sales for the company are approaching $50 million.

NIGHTCLUB. Traditional Concepts Inc., Portland, OR, has settled on a rather unusual concept as one of its expansion vehicles. Operator of Jake's Famous Crawfish in Portland and 10 other seafood houses, the company opened a combined full-service dining room and Top 40s nightclub known as the Harborside Restaurant and Shanghai Bar in Portland several years ago and turned it into a prototype.

Its newest locations are two more combination restaurant/nightclubs under the name McCormick & Schmick, in Irvine and San Diego, CA. These units feature more traditional seafood menus than the Harborside.

The company also operates three other McCormick & Schmick's without nightclubs, in Portland and Seattle, and three McCormick's Fish Houses in Portland, Seattle, and Denver, plus Jake's Backstage, a seafood-oriented bistro in Portland's Performing Arts Center, says Jerry Barron, director of operations.

MOVING INLAND. The market for fresh seafood continues to move inland. When Jim Schumacher, an Albuquerque, NM, restaurateur, opened Seagull Street Fish Market, the city's first independent seafood restaurant in 1985, waits averaged two to three hours for the first six months. The frenzy tapered off but business stayed strong, and in the last six months another upswing has begun. In the meantime, three other seafood-oriented restaurants have opened in Albuquerque. **RB**